

The Power is Already in Your Hands, Have the Courage to Use It!

by Deborah D. Thornton

A recent article in the *Telegraph Herald* encouraged taxpayers to take their government “stimulus” checks and go out and “SPEND!” The headline argued that the “government’s stimulus package puts the power to save the economy in your hands.”¹ It went on to note other facts about the stimulus package; primarily that it was our money to begin with, and that it will add another \$168 billion to the national debt.

At the same time, other reports document the current uncertain status of the economy. The most recent Conference Board Consumer Confidence Survey reported that the Confidence Index “declined sharply” in March to only 64.5, from a 1985 standard of 100. This is the lowest level in 5 years.² Additionally, the number of consumers claiming business conditions are “bad” increased to 25.4 percent, along with an expectation that they will get “worse” (21.4 percent). Jobs were considered “hard to get” by 25.1 percent of the 5,000 respondents.³

In the meantime, while all-time high corn, soybean, and wheat prices are good for Iowa farmers, these price increases are raising the cost of bread from \$0.69 to \$1.09 or more.⁴ Crude oil is running over \$110.00 a barrel, resulting in gasoline prices of over \$3.26 a gallon.⁵ So even if you have a job, you can’t afford to get there.

Further, if you are looking to hire someone, you can’t because there is a skilled-workforce shortage looming in Iowa. According to news articles, the low 3.6 percent unemployment figure really is not good because the state is expected to be 150,000 workers short by 2012, and many of those who are

currently working are expected to retire.⁶ Then when you need workers and have jobs to fill, there won’t be anyone qualified because the Iowa Student Loan agency quit offering private lender student loans in April, affecting over 25,000 college students.⁷ This caused Congressman George Miller (D-California) to compare the “possible” student loan crisis to the federal government’s response to Hurricane Katrina.⁸

To make matters worse, “Foreclosures bad news for neighbors,” says a headline in *The Fort Dodge Messenger* on March 13, 2008. If your neighbors lose their home, it can impact your home’s appraisal and value. So now you cannot get a home equity loan, refinance your home, or even sell it for what you paid for it.⁹

As Chicken Little said to Henny Penny, “The sky is falling! The sky is falling!”¹⁰

At the end of the *Telegraph Herald* article about the tax rebates was another story, asking various people what they would do with their “stimulus” check. The responses varied, from a couple paying down debt before declaring bankruptcy to someone paying a few bills and putting some in the bank — both reasonable actions. However, one young woman of 26 who considered it “basically free money” was going to take a road trip. Though she did recognize that in reality it was “money she paid in federal taxes last year.”¹¹

As the story of Chicken Little teaches, we need to have courage. What none of the articles noted is

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IOWA ECONOMIC SCORECARD

May 2008
Volume 16, Number 2

President
Dr. Don Racheter

IOWA ECONOMIC SCORECARD is our quarterly economic forecast, arriving in February, May, August, and November, based on interviews with leading Iowa economists.

IOWA ECONOMIC SCORECARD is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

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that we have the power to change and influence the economy in our hands as citizens, business owners, workers, and consumers — we just need the courage to use it.

The people of Fort Dodge, Iowa, are using it. Because of concerns about their community and their economy, the Development Corporation of Fort Dodge and Webster County hired a consulting firm to provide recommendations on the strengths and weaknesses of their local economy.¹² Based on the well-known business school model of a SWOT analysis (internal Strengths and Weaknesses and external Opportunities and Threats), the group is first focusing on the area's perceived weakness — its "image." The historical image of Fort Dodge is that it is "rough and unkempt."¹³ One of the actions being taken by the development group is to design a new logo for the town to be placed throughout the area. The Co-chairman of the Image and Appearance Committee, Ed Shimkat Jr. hopes this will help the residents of the area to feel better about, and to become the marketers of, their community.¹⁴ The power is in their hands and they're using it.

Additionally, Fort Dodge is finalizing plans for a new recreational center and an aquatics center.¹⁵ The report on park system issues states that there are maintenance issues with current facilities and a need for new options for young people. The "parks system is showing its age," according to Craig Erickson, the lead consultant from Shive-Hattery.¹⁶ This part of the rough and unkempt image issue is also being addressed. The power is in their hands and they're using it.

On March 11, Doug Gross, speaking on behalf of the Committee of 82 at the "New Rural Realities" conference in Burlington, addressed the issues of power and attitude. The Committee of 82 represents 82 rural counties in Iowa who are working to support rural communities and economic development. Two of the key success factors the committee found, after looking at over 700 rural counties in the upper Midwest, are quality of leadership and attitudes toward success. Gross encouraged participants to show success, get rid of negative attitudes, and take risks. He especially

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encouraged young people to take risks, start a business, and invest in a good idea, and he urged established members of the community to praise success. Further, he argued that it is important to recognize that small towns are good for families; they provide security, homes, and connections. According to the research done by the Committee of 82, counties which were not succeeding had high taxes, especially high property taxes, excess government, duplication of services, and poor schools.¹⁷

In the Cedar Valley area, where Waterloo and Cedar Falls are located, over 200 people recently attended the “EntreBash” sponsored by the University of Northern Iowa’s Small Business Development Center. The program is designed to “connect entrepreneurs in rural communities with the resources necessary to expand their business.”¹⁸ Both start up and established businesses attended, learning about the “MyEntreNet” system. The owners are showing power and courage to plan for the future, to try new ideas, and to take necessary risks to change their economic situation.

Chicken Little, Henny Penny, and the other foolish animals ended up being eaten by the fox because they did not stop and think, they did not have courage, and they relied on someone else to take care of them instead of using their own power. The citizens of Iowa would be wise to heed that message during this uncertain economic time.

In a free market economy, every worker and investor tends to seek those outlets which will produce what consumers want most, as indicated by the wages and prices consumers will pay. So workers and investors ... would soon find more profitable outlets satisfying the increased spending of private producers. Everyone would soon have more. That is not a depression. That is prosperity. — Percy L. Greaves, Jr., economist¹⁹

(Endnotes)

- ¹ “Take the money and...SPEND!” *Telegraph Herald*, March 2, 2008, p. 1A.
- ² Consumer Confidence Survey, The Conference Board, April 2008, p. 1.
- ³ Ibid.
- ⁴ “Wheat costs push up grocery store prices,” *The Messenger*, March 15, 2008, p. 7A.
- ⁵ “Falling retail sales result of economy,” *The Messenger*, March 14, 2008, p. 8A.
- ⁶ “Skilled workforce shortage looming,” *The Messenger*, March 13, 2008, P. 1A.
- ⁷ “Iowa agency ends private student loans,” *The Des Moines Register*, March 13, 2008, <www.desmoinesregister.com>.
- ⁸ “Committee drills feds on student loans,” *The Messenger*, March 15, 2008, p. 6A.
- ⁹ “Foreclosures bad news for neighbors,” *The Messenger*, March 13, 2008, p. 9A.
- ¹⁰ Chicken Little, <<http://eleaston.com/chicken.html>> March 17, 2008.
- ¹¹ “What will you do with your stimulus payment?” *Telegraph Herald*, March 2, 2008, 11A.
- ¹² “Building an image for Fort Dodge,” *The Messenger*, March 2, 2008, 1A.
- ¹³ Ibid.
- ¹⁴ Ibid.
- ¹⁵ “Report: Place rec center downtown,” *The Messenger*, March 4, 2008, 1A.
- ¹⁶ Ibid.
- ¹⁷ Doug Gross, “New Rural Realities” conference, Pzazz Event Center, Burlington, Iowa, March 11, 2008.
- ¹⁸ “MyEntreNet Cedar Valley kicked off with EntreBash,” *Waterloo Cedar Falls Courier*, March 14, 2008, p. A7.
- ¹⁹ The Freeman, June 1975, <<http://www.fee.org/publications/the-freeman/article.asp?aid=6124>> March 18, 2008.

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Iowa's Monthly State Revenue:

Iowa's monthly state revenue for Fiscal Year 2008 stands at \$464.9 million in March 2008. For the fiscal year to date total gross cash receipts increased \$415.9 million (7.4 percent) compared to Fiscal Year 2007. Personal income tax, sales and use tax, and corporate income tax receipts all increased.

Iowa's Estimated Net Yearly Revenue:

The Revenue Estimating Conference met in April and the "estimate for FY2008 net General Fund receipts is now \$6,563 billion, an increase of \$425 million compared to actual 2007."

Source: Legislative Fiscal Bureau, "Monthly Revenue Memo," Revenue Estimating Conference Report

Iowa's Unemployment:

The U.S. unemployment rate in March was 5.1 percent. Iowa workers fared better with an unemployment rate of only 3.5 percent. This is down from 3.7 percent in March 2007. Iowa's Workforce Development reported that total employment in March rose to a new high of 1.615 million. The number of workers on unemployment fell to 57,900, from 58,300 in February, and 4,000 less than the 61,900 unemployed in March of 2007. The largest gains were in the manufacturing, financial activities, education, health services, and government sectors.

Source: Iowa Workforce Development, Labor Market Information Bureau, "Monthly Unemployment Rate" News."

Consumer Confidence Index:

As of the March 2008 report the Consumer Confidence Index (CCI) has continued to drop, to a five year low of 64.5 nationally. In Iowa it is even lower, at 58.3. Nationally the CCI has dropped 42.7 points from March 2007 to March 2008. The Conference Board reported that the "expectation index" is now at a 35 year low (December 1973, 45.2), levels not seen since the 1970's oil embargo and Watergate.

Source: Conference Board, "Consumer Confidence Survey."

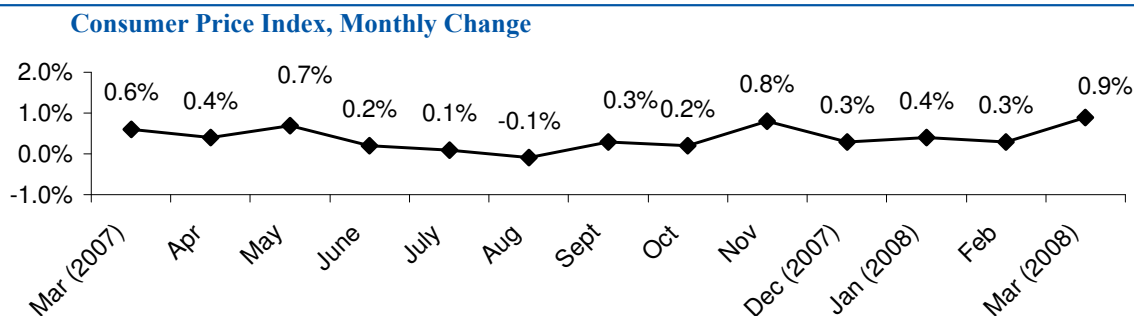
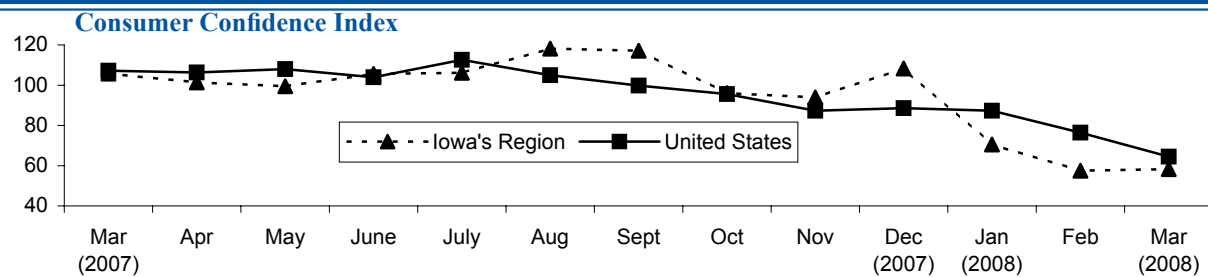
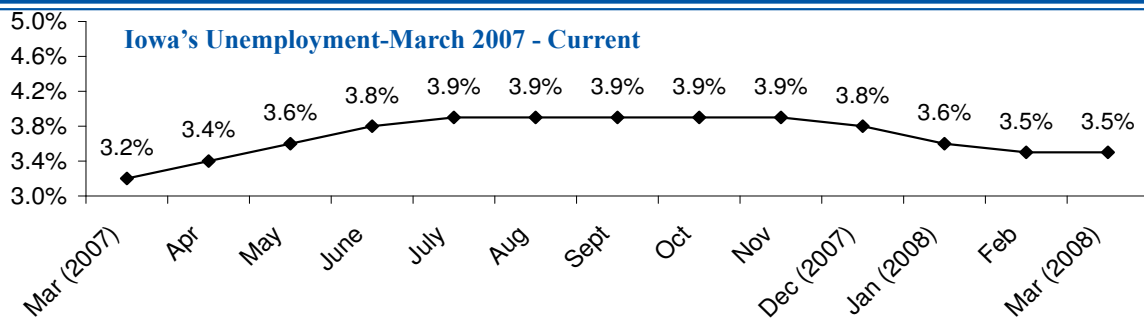
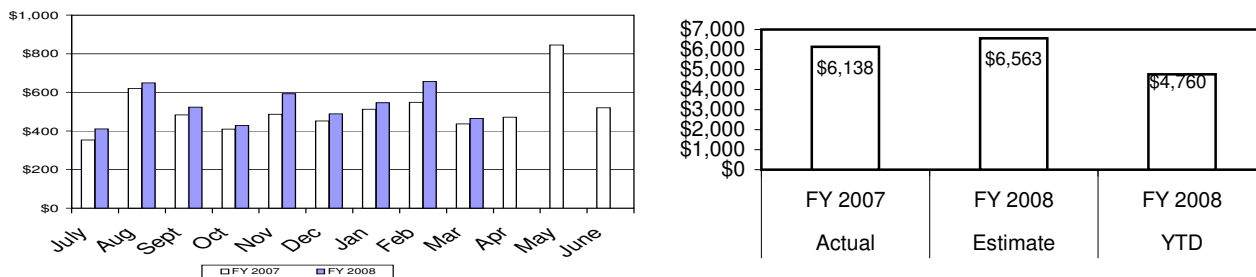
Consumer Price Index, Monthly Change:

The seasonally adjusted Consumer Price Index for urban consumers increased 0.9 percent in March 2008, driven mostly by the energy index, which increased by 1.9 percent. For the first three months of the year the seasonally adjusted rate was 3.1% compared to 4.1% for all of 2007. Other indexes which increased nationwide were food, household furnishings, and airline fares. In the Midwest, energy prices were up 5.0 percent in March, with a total increase of 16.6 percent since March 2007. Housing costs had the second greatest impact, rising 0.7 percent, followed by apparel prices.

Source: U.S. Department of Labor, Bureau of Labor Statistics

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Iowa's Monthly State Revenue and Estimated Net Yearly Revenue (in millions)



**REVENUE ESTIMATING CONFERENCE
ESTIMATE OF GENERAL FUND RECEIPTS**

Historical Figures

| TAX RECEIPTS | FY 06 ACTUAL | FY 07 ACTUAL | % Change FY 07 Act. Vs FY 06 Act. |
|---------------------------------------|-------------------------|-------------------------|--|
| Personal Income Tax | 2,854.2 | 3,085.9 | 8.1% |
| Sales and Use Tax | 1,881.1 | 1,910.1 | 1.5% |
| Corporate Income Tax | 348.6 | 424.6 | 21.8% |
| Inheritance Tax | 73.1 | 76.0 | 4.0% |
| Insurance Premium Tax | 121.4 | 105.2 | -13.3% |
| Cigarette Tax | 89.5 | 122.0 | 36.3% |
| Tobacco Tax | 9.2 | 12.1 | 31.5% |
| Beer Tax | 14.2 | 14.3 | 0.7% |
| Franchise Tax | 35.5 | 33.3 | -6.2% |
| Miscellaneous Tax | 0.6 | 1.0 | 66.7% |
| Total Tax Receipts | 5,427.4 | 5,784.5 | 6.6% |
| Other Receipts | | | |
| Institutional Payments | 13.0 | 12.9 | -0.8% |
| Liquor Profits | 63.8 | 64.8 | 1.6% |
| Interest | 17.5 | 28.7 | 64.0% |
| Fees | 76.2 | 84.7 | 11.2% |
| Judicial Revenue | 63.1 | 66.9 | 6.0% |
| Miscellaneous Receipts | 49.7 | 35.7 | -28.2% |
| Racing & Gaming | 60.0 | 60.0 | 0.0% |
| Total Other Receipts | 343.3 | 353.7 | 3.0% |
| Total Tax & Other Receipts | 5,770.7 | 6,138.2 | 6.4% |
| Transfers | | | |
| Lottery | 79.6 | 59.3 | -25.5% |
| Other Transfers* | 64.4 | 9.3 | -85.6% |
| Total Transfers | 144.0 | 68.6 | -52.4% |
| Total Receipts & Transfers | 5,914.7 | 6,206.8 | 4.9% |
| Accruals (net) | 54.0 | 37.4 | -30.7% |
| Refunds | (586.0) | (597.9) | 2.0% |
| Net Receipts | 5,382.7 | 5,646.3 | 4.9% |

Source: Iowa Department of Management, Revenue Estimating Conference

**REVENUE ESTIMATING CONFERENCE
ESTIMATE OF GENERAL FUND RECEIPTS**

Estimates of December 11, 2007

| 12/07 FY 08 ESTIMATE | % Change FY 08 Est. vs. FY 07 Est. |
|-------------------------------------|---|
| 3,293.0 | 6.7% |
| 1,963.4 | 2.8% |
| 447.0 | 5.3% |
| 83.6 | 10.0% |
| 118.1 | 12.3% |
| 233.2 | 91.1% |
| 19.1 | 57.9% |
| 14.6 | 2.1% |
| 30.2 | -9.3% |
| 1.0 | 0.0% |
| 6,203.2 | 7.2% |
| 12.9 | 0.0% |
| 67.8 | 4.6% |
| 20.0 | -30.3% |
| 73.2 | -13.6% |
| 89.5 | 33.8% |
| 36.2 | 1.4% |
| 60.0 | 0.0% |
| 359.6 | 1.7% |
| 6,562.8 | 6.9% |
| 56.3 | -5.1% |
| 13.9 | 49.5% |
| 70.2 | 2.3% |
| 6,633.0 | 6.9% |
| (16.8) | |
| (632.8) | 5.8% |
| 5,983.4 | 6.0% |

Estimates of April 4, 2008

| 4-Apr FY 08 ESTIMATE | % Change FY 08 Est. vs. FY 07 Actual | 4-Apr FY 09 ESTIMATE | % Change FY 09 Est. vs. FY 08 Est. |
|-------------------------------------|---|-------------------------------------|---|
| 3,343.8 | 8.4% | 3,501.9 | 4.7% |
| 1,999.6 | 4.7% | 2,054.7 | 2.8% |
| 468.1 | 10.2% | 424.2 | -9.4% |
| 76.0 | 0.0% | 76.0 | 0.0% |
| 115.1 | 9.4% | 127.1 | 10.4% |
| 228.0 | 86.9% | 225.8 | -1.0% |
| 20.1 | 66.1% | 20.9 | 4.0% |
| 14.5 | 1.4% | 14.5 | 0.0% |
| 35.8 | 7.5% | 37.4 | 4.5% |
| 1.0 | 0.0% | 1.0 | 0.0% |
| 6,302.0 | 8.9% | 6,483.5 | 2.9% |
| 12.8 | -0.8% | 12.8 | 0.0% |
| 70.5 | 8.8% | 70.5 | 0.0% |
| 27.0 | -5.9% | 19.0 | -29.6% |
| 78.8 | -7.0% | 77.7 | -1.4% |
| 89.5 | 33.8% | 90.8 | 1.5% |
| 37.8 | 5.9% | 37.8 | 0.0% |
| 60.0 | 0.0% | 60.0 | 0.0% |
| 376.4 | 6.4% | 368.6 | -2.1% |
| 6,678.4 | 8.8% | 6,852.1 | 2.6% |
| 55.7 | -6.1% | 57.9 | 3.9% |
| 13.9 | 49.5% | 1.9 | -86.3% |
| 69.6 | 1.5% | 59.8 | -14.1% |
| 6,748.0 | 8.7% | 6,911.9 | 2.4% |
| (16.8) | 0.0% | 1.2 | |
| (669.0) | 11.9% | (724.0) | 8.2% |
| 6,062.2 | 7.4% | 6,189.1 | 2.1% |

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